

**Department of Insurance and
Financial Services**

House Health Policy Committee
Tuesday, February 24, 2015

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

History & Overview of DIFS

- Executive Order of Governor John Engler created the Office of Financial and Insurance Services (OFIS), combining insurance and financial services.
- 2000 – 2013 OFIS/OFIR operated as an agency under the department of CIS/DLEG/DELEG/LARA

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Executive Order 2013-1 established DIFS – formerly Office of Financial and Insurance Regulation (OFIR).

“Insurance and financial service businesses are a vital part of the overall economic health of Michigan. By establishing a new department dedicated to industry sustainability, it further emphasizes the commitment to removing red tape from economic growth in Michigan.”

-Governor Rick Snyder

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History & Overview of DIFS

- Recognizes industries' importance to Michigan's economic success.
 - Employs 155,000 Michigan residents, generating almost \$10 billion in payroll.
- As a department, DIFS will provide more emphasis on promoting economic growth within insurance and financial services industries.



Our Mission

- Provide a business climate that promotes economic growth while ensuring that the insurance and financial services industries are safe, sound and entitled to public confidence.
- Provide consumer protection, outreach and education services to Michigan citizens.

Regulation

Consumer
Protection

History & Overview of DIFS

- Over 330 employees
- Regulatory responsibility
 - Insurers and HMOs
 - Agents
 - Other insurance-related licensees
 - State-chartered banks
 - State-chartered credit unions
 - Mortgage brokers and lenders
 - Other consumer finance licensees
- DIFS' operations require no general fund dollars



Insurance Regulation

- Regulated at the state level
- Each state, territory and the District of Columbia has an insurance regulatory body
- Directors/Commissioners are either appointed or elected



Insurance Regulation

- Historically, regulation focused on needs of the state and its consumers
- Insurance increasingly international
- Since financial crisis, increased focus on global markets and financial stability of insurers
- Other countries have national regulators



History & Overview of DIFS

- Nine offices
 - General Counsel and 3 deputies report to Director
- Chief Deputy Director Teri Morante
 - Office of Financial and Administrative Services
 - Office of Consumer Services
 - Legislative Liaison
- Senior Deputy Director Judy Weaver
 - Office of Insurance Evaluation
 - Office of Banking
 - Office of Credit Unions
- Senior Deputy Director Rhonda Fossitt
 - Office of Insurance Rates and Forms
 - Office of Insurance Licensing and Market Conduct
 - Office of Consumer Finance



Office of Insurance Evaluation

Responsible for the financial condition of risk-bearing insurance entities.

- Processing of applications for licensure
- On-site financial examinations
- Ongoing financial monitoring
- Working with insurers to correct negative trends
- License, monitor and examine captive insurers



Legislative Liaison

Policy/Legislation:

Teri Morante

Jenita Moore

Gabe Basso

Constituent Inquiries:

Cathy Kirby, Director

Office of Consumer Services



DIFS Website

- Consumer information
- Publications
- Legal actions
- Access to insurance statutes, bulletins, etc.
- Health Insurance page
- Licensee locators



Office of Insurance Licensing and Market Conduct

- Licensing
 - Individual and agency insurance producers, solicitors, counselors, risk retention groups, purchasing groups, reinsurance intermediaries and third-party administrators.
- Market Conduct
 - Market conduct examinations of insurers, audits of insurance agents/entities
 - Monitoring of all surplus lines tax filings and payments

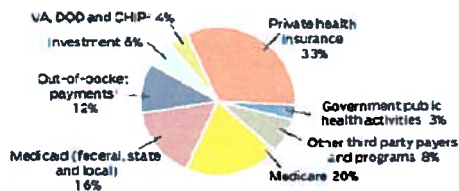
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Office of Insurance Rates and Forms

- Reviews insurance policy forms and rates for compliance with Michigan statutory requirements
- Property and casualty
- Life and health
 - Includes carrying out Michigan's responsibilities as a Federally Facilitated Partnership Exchange

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The Nation's Healthcare Dollar: Where It Came From



Source: Center for Medicare and Medicaid Services, 2012

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Health Insurance

MI Insured - Individual

- 2013 Data
 - Premium - \$605 Million
 - MI Insureds - 244,607

MI Insured - Small Group

- 2013 Data
 - Premium - \$2.5 Billion
 - MI Insureds - 571,283
- Employer purchases coverage
- 1/1/2016, definition of small employer, 100 or fewer employees
- 1 to 50 employees is the current definition of small employer

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Health Insurance

MI Insured - Large Group - Insured

- 2013 Data
 - Premium - \$7.4 Billion
 - MI Insureds - 1,652,477
- Purchase coverage through your employer
- 1/1/2016, definition of large employer, 100 or greater employees

MI Insured - Large Group - Self-Insured

- 2013 Data
 - MI Insureds - 3,814,393

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Health Insurance

Regulation

- Regulated by DIFS
 - Individual, Small Group & Large Group (insured)
- Self-Insured
 - TPA financial requirements- DIFS
 - Regulation by Dept of Labor

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Government Health Insurance

Medicare

Veterans Health Care Program

Medicaid

- Medicaid
- Healthy Michigan
 - New Program 4/1/14
 - Enrollment: 546, 807
- MICHild

Administer/Regulation

- Medicaid
 - Administered by DCH
 - DIFS regulates the HMOs who write Medicaid

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Affordable Care Act & Market Reforms

Market Reforms


- Removal of lifetime/annual limits on health benefits
- Young adults can stay on parents plan until age 26
- Guaranteed Renewability
- Preexisting Conditions Allowed

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Affordable Care Act & Market Reforms

▪ **Maximum Out of Pocket**

- For 2016, Out-of-Pocket Maximums are \$6,850 for Individuals and \$13,700 for families.
- Copay
 - The fixed portion you pay for medical service
- Deductible
 - A set yearly amount you have to pay towards health services before your insurance begins
- Coinsurance
 - The portion you pay for service calculated as a percent of the total billed amount



- Copay
- Deductible
- Coinsurance

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Essential Health Benefits

Ambulatory patient services Emergency services Hospitalization Maternity and newborn care Mental health and substance use disorder services, including behavioral health treatment	Prescription drugs Rehabilitative and habilitative services and devices Laboratory services Preventive and wellness services and chronic disease management Pediatric services, including oral and vision care (pediatric oral services may be provided by stand-alone plan)
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Essential Health Benefits

- All individual and small groups must comply
- Large groups have option
 - Must comply with all provisions if offered
- Preventive Services
 - No cost sharing
 - Services such as well-child visits, flu shots...

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Mental Health Parity & Addiction Equity Act (MHPAEA)

- Effective MI 1/1/14
- Financial requirements (such as co-pays, deductibles) and treatment limits (visits) no more restrictive than medical / surgical benefits
- All individual and small groups must comply

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Metal Tiers

- On and Off Marketplace must be assigned to one of four metal tiers or be classified as catastrophic.

Levels of Coverage	Plan Pays On Average	Enrollees Pay On Average* (In addition to the monthly plan premium)
Bronze	60%	40%
Silver	70%	30%
Gold	80%	20%
Platinum	90%	10%

*Based on the aggregate cost under the plan when benefits are provided to a standard population. This may not be the same for every (or any specific) enrolled person.

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Health Insurance Marketplace (Exchange)

- On Marketplace, Michiganders may:
 - Compare qualified health plans
 - Enroll in individual health coverage
 - Qualify for subsidy, if eligible
 - Find out if eligible for other programs like Medicaid or MICHild
- On Marketplace, Small Businesses may:
 - Compare qualified health plans
 - Enroll in SHOP health coverage
 - Be eligible for federal tax credits

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Health Insurance Marketplace Enrollment

- 2015 Michigan Enrollment – Individual Market
 - 340,905 as of 2/15/2015
 - 88% of enrollees receive tax subsidies
 - Average subsidy - \$260 per month
 - Open enrollment scheduled to end 2/15/2015
 - Open enrollment was extended to 2/22/2015 for those unable to complete their applications

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Health Insurance Marketplace Enrollment

- Special Enrollment Period for Tax Season
 - 3/15/2015 to 4/30/2015
 - Allowed only for individuals subject to tax penalty for not purchasing coverage
 - Must attest that they were unaware of the penalty until they filed their taxes for 2014

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King versus Burwell

- Supreme Court Case
- Decision expected June 2015
- Ruling will determine whether individuals in states using federal marketplaces are eligible for subsidies
- Michigan citizens would be significantly impacted if subsidies are not allowed
- Ruling will address only the availability of subsidies
- ACA would continue

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